ARITZIA NEWS RELEASE

Aritzia Reports Financial Results for Third Quarter ended November 29, 2020
Net revenue increased by 4.1% to $278.3 million
eCommerce revenue increased by 78.5%
Reopened boutiques operated on average at 81.0% of last year's sales productivity

VANCOUVER, January 13, 2021 /PRNewswire/ - Aritzia Inc. ("Aritzia" or the "Company") (TSX: ATZ), a vertically integrated, innovative design house of fashion brands offering Everyday Luxury in its boutiques and online, today announced its third quarter financial results for fiscal 2021 ended November 29, 2020.



"We are extremely pleased with our third quarter performance. Our clients' enthusiastic response to our Fall/Winter product assortment demonstrates our ongoing ability to adapt to their changing lifestyle. We saw continued accelerated momentum of our eCommerce channel, which delivered 78.5% revenue growth compared to last year. This was coupled with better-than-expected demand in our boutiques, which performed at 81% of last year's sales productivity. Despite severe capacity restrictions and further reclosures, we continued to engage our clients in Everyday Luxury through engaging service, beautiful product, aspirational environments, and captivating communications. Our positive revenue growth drove meaningful cash flow in the quarter, resulting in a stronger balance sheet," said Brian Hill, Founder, Chief Executive Officer and Chairman.

"Performance in our eCommerce channel has sustained its momentum in the fourth quarter to date, while our reopened boutiques have exceeded our expectations. While the resurgence of COVID-19 has led to the temporary reclosure of 39 boutiques, we are well-positioned to continue to navigate the uncertainty. Looking ahead, we remain focused on the execution of our growth strategies including driving digital innovation of eCommerce and Omni, geographic expansion, product development, and brand awareness, while continuing to invest in infrastructure including our world-class talent. I am deeply appreciative of our clients' enduring loyalty and our team's exceptional efforts and remarkable resilience through these extraordinary times," concluded Mr. Hill.

Highlights for the Third Quarter

- Net revenue increased by 4.1% to $278.3 million from Q3 last year
- eCommerce revenue increased by 78.5% compared to Q3 last year
- At the start of the quarter, 96% of the Company's boutiques were reopened, with the reclosure of 18 boutiques on November 23rd, 2020, the Company had 82% of its boutiques opened at the end of the quarter
- Sales for the reopened boutiques trended on average at 81.0% of last year's productivity levels for the quarter despite significant occupancy restrictions and limited operating hours
- Gross profit margin(1) increased to 45.3% from 44.7% in Q3 last year
- Adjusted EBITDA(1) decreased to $54.6 million from $58.4 million in Q3 last year

- Adjusted Net Income[1] was $32.2 million, or $0.29 per diluted share, compared to $35.7 million, or $0.32 per diluted share in Q3 last year
- Net income was $30.5 million compared to net income of $34.8 million in Q3 last year
- Cash and cash equivalents at the end of Q3 totaled $174.0 million, compared to $95.7 million at the end of Q3 last year
- The Company repaid $100.0 million that it had drawn from its revolving credit facility in March 2020.

Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures. See "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information".

Financial Results for the Third Quarter

All comparative figures below are for the 13-week period ended November 29, 2020, compared to the 13-week period ended December 1, 2019.

Net revenue increased by 4.1% to $278.3 million, compared to $267.3 million in the third quarter last year. The increase in net revenue was primarily driven by the momentum in the Company's eCommerce business, which grew by 78.5% from the third quarter last year. This was partially offset by a decline in retail revenue due to occupancy restrictions and reduced operating hours in its boutiques, as well as, government mandated closures.

Gross profit increased to $126.1 million, compared to $119.6 million in the third quarter last year. Gross profit margin was 45.3% compared to 44.7% in the third quarter last year. The increase in gross profit margin was primarily due to rent abatements and improvement in product costs, partially offset by the deleverage from reduced retail revenue and higher warehousing and distribution centre costs driven by the growth in the Company's eCommerce business.

Selling, general and administrative ("SG&A") expenses increased by 16.7% to $74.7 million, compared to $64.0 million in the third quarter last year. SG&A expenses were 26.8% of net revenue compared to 24.0% of net revenue in the third quarter last year. The increase in SG&A expenses during the third quarter was primarily due to COVID-19 related health and safety measures and the Company's continued investment in talent.

Adjusted EBITDA[1] was $54.6 million, or 19.6% of net revenue, compared to $58.4 million, or 21.9% of net revenue, in the third quarter last year. The decrease in Adjusted EBITDA was primarily due to COVID-19 related health and safety measures and the Company's continued investment in talent. Adjusted EBITDA excludes the favorable impact of IFRS 16, stock-based compensation expense and unrealized gains on equity derivative contracts.

Net income was $30.5 million, compared to net income of $34.8 million in the third quarter last year. The decrease in net income during the quarter was primarily driven by the factors described above.

Adjusted Net Income[1] was $32.2 million, compared to Adjusted Net Income of $35.7 million in the third quarter last year. Adjusted Net Income excludes the impact of stock-based compensation expense and unrealized gains on equity derivative contracts, net of related tax effects.

Adjusted Net Income per diluted share[1] was $0.29 compared to Adjusted Net Income per diluted share of $0.32 in the third quarter last year.

Cash and cash equivalents at the end of the third quarter totaled $174.0 million, compared to $95.7 million at the end of the third quarter last year. The cash position at the end of the third quarter reflects the strength of the Company's operating cash flow and the extension of inventory payment terms. During the quarter, the Company repaid the $100.0 million that was previously drawn from its revolving credit facility in March 2020.

Inventory at end of Q3 was $138.1 million, compared to $123.0 million at the end of third quarter last year. Leaving the Company well positioned for the remainder of the Fall/Winter Season.

Year-to-Date Results

All comparative figures below are for the 39-week period ended November 29, 2020, compared to the 39-week period ended December 1, 2019.

Net revenue decreased by 16.4% to $589.8 million, compared to $705.2 million in the prior year. The decrease in net revenue was primarily due to the impact of COVID-19 and the associated temporary boutique closures in the first quarter, as well as ongoing severe occupancy restrictions and reduced boutique operating hours, partially offset by meaningful eCommerce revenue growth throughout the fiscal year-to-date.

Gross profit decreased to $209.6 million, compared to $300.6 million in the prior year. Gross profit margin was 35.5% compared to 42.6% in the prior year. The decrease in gross profit margin was primarily due to deleverage from reduced retail revenue, higher warehousing and distribution centre costs driven by the growth in the Company's eCommerce business, and higher markdowns from successful online sales events during boutique closures, partially offset by rent abatements and government payroll subsidies recognized during the year.

Selling, general and administrative ("SG&A") expenses decreased by 0.4% to $178.4 million, compared to $179.0 million in the prior year. SG&A expenses were 30.2% of net revenue compared to 25.4% of net revenue in the prior year. Deleverage in SG&A expenses this year was primarily due to the loss of retail revenue and the implementation of additional health and safety measures, partially offset by government payroll subsidies recognized during the year.

Adjusted EBITDA(1) was $41.6 million, or 7.1% of net revenue, compared to $130.2 million, or 18.5% of net revenue, in the prior year. The decrease in Adjusted EBITDA was primarily due to the loss of net revenue from the impacts of COVID-19. Adjusted EBITDA excludes the favorable impact of IFRS 16, stock-based compensation expense and unrealized gains on equity derivative contracts.

Net income was $3.2 million, compared to net income of $68.9 million in the prior year. The decrease in net income during the year was primarily driven by the factors described above.

Adjusted Net Income(1) was $8.4 million, compared to Adjusted Net Income of $74.0 million in the prior year. Adjusted Net Income excludes the impact of stock-based compensation expense and unrealized gains on equity derivative contracts, net of related tax effects.

Adjusted Net Income per diluted share(1) was $0.07 compared to Adjusted Net Income per diluted share of $0.66 in the prior year.

(1) See "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures. See also sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information" in the Management's Discussion and Analysis for further details concerning comparable sales growth, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share and free cash flow including definitions and reconciliations to the relevant reported IFRS measure.

Outlook

Performance in the Company’s eCommerce channel has sustained its strong momentum in the fourth quarter to date. Severe capacity restrictions and the mandated closure of 39 boutiques in Ontario and Quebec continue to put pressure on the Company’s retail performance. Aritzia believes its eCommerce business is well-positioned to moderate the impact of these measures.

Aritzia continues to ensure income continuity for employees impacted by temporary boutique closures through a combination of company support and where applicable, government wage benefits direct to employees. In addition, the Company expects to incur ongoing operating expenses of approximately $5 million per quarter, related to protocols to ensure the health and safety of its people, clients and communities.

Aritzia’s strong financial position, with $274 million of liquidity in place at the end of the third quarter, enables it to weather further uncertainty while continuing to take advantage of unparalleled opportunities. The Company will continue to strategically invest in critical infrastructure across its people, processes, and technology.

“Looking beyond this pandemic we are well positioned for meaningful growth, capitalizing on the unprecedented opportunities ahead,” concluded Brian Hill.

Conference Call Details

A conference call to discuss the Company's third quarter results is scheduled for Wednesday, January 13, 2021, at 1:30 p.m. PT / 4:30 p.m. ET. To participate, please dial 1-800-319-4610 (North America toll-free) or 1-416-915-3239 (Toronto and overseas long-distance). The call is also accessible via webcast at http://investors.aritzia.com/events-and-presentations/. A recording will be available shortly after the conclusion of the call. To access the replay, please dial 1-855-669-9658 and the access code 5826. An archive of the webcast will be available on Aritzia's investor relations website.

About Aritzia

Aritzia is an innovative design house and fashion boutique. We conceive, create, develop and retail fashion brands, each with its own vision and distinct aesthetic point of view and all with a depth of design and quality that provide compelling value. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Founded in Vancouver in 1984, Aritzia has more than 100 locations in select cities across North America, including Vancouver, Toronto, Montreal, New York, Los Angeles, San Francisco and Chicago. We pride ourselves on creating immersive, human and highly personal shopping experiences, both in our boutiques and on aritzia.com — with a focus on delivering Everyday Luxury.

Comparable Sales Growth

Comparable sales growth is typically a useful operating metric in assessing the performance of the Company's business. However, as the temporary boutique closures from COVID-19 have resulted in boutiques being removed from its comparable store base, the Company believes comparable sales growth is not currently representative of its business and therefore the Company has not reported figures on this metric in this press release.

Non-IFRS Measures including Retail Industry Metrics

This press release makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share", and "gross profit margin". This press release also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including retail industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A. Such reconciliations can also be found in this press release under the heading "Selected Consolidated Financial Information".

Forward-Looking Information

Certain statements made in this press release may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook, our ability to sustain momentum in our eCommerce business, the impact of health and safety measures including capacity restrictions and mandated closures on retail performance and labour and operating expenses, our ability to drive digital innovation of eCommerce and Omni, geographic expansion, product development, and brand awareness, our ability to weather further uncertainty, achieve meaningful growth and take advantage of opportunities, the income continuity for employees impacted by boutique closures, including from government wage subsidies where applicable, and our ability to invest in critical infrastructure across our people, processes and technology. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the limitations or restrictions that may be placed on servicing our clients in reopened boutiques or potential re-closing of boutiques; (b) the COVID-19-related impacts on Aritzia's business, operations, supply chain performance and growth strategies, (c) Aritzia's ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) general economic conditions related to COVID-19 and impacts to consumer discretionary spending and shopping habits; (e) credit, market, currency, interest rates, operational, and liquidity risks generally; and (f) other risks inherent to Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's annual information form dated May 28, 2020 for the fiscal year ended March 1, 2020 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

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Selected Consolidated Financial Information

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS:

(Unaudited, in thousands of Canadian dollars, unless otherwise noted)	**Q3 2021 13 weeks**		**Q3 2020 13 weeks**		**YTD 2021 39 weeks**		**YTD 2020 39 weeks**	
Net revenue	$ 278,254	100.0%	$ 267,282	100.0%	$ 589,798	100.0%	$ 705,159	100.0%
Cost of goods sold	152,171	54.7%	147,687	55.3%	380,218	64.5%	404,576	57.4%
Gross profit	126,083	45.3%	119,595	44.7%	209,580	35.5%	300,583	42.6%
Operating expenses								
Selling, general and administrative	74,707	26.8%	64,035	24.0%	178,369	30.2%	179,031	25.4%
Stock-based compensation expense	3,372	1.2%	1,063	0.4%	6,498	1.1%	5,379	0.8%
Income from operations	48,004	17.3%	54,497	20.4%	24,713	4.2%	116,173	16.5%
Finance expense	7,211	2.6%	7,021	2.6%	21,956	3.7%	21,405	3.0%
Other (income)	(1,532)	(0.6%)	(216)	(0.1%)	(1,405)	(0.2%)	(831)	(0.1%)
Income before income taxes	42,325	15.2%	47,692	17.8%	4,162	0.7%	95,599	13.6%
Income tax expense	11,823	4.2%	12,889	4.8%	1,005	0.2%	26,720	3.8%
Net income	$ 30,502	11.0%	$ 34,803	13.0%	$ 3,157	0.5%	$ 68,879	9.8%
Other Performance Measures:								
Year-over-year net revenue growth (decline)	4.1%		10.0%		(16.4%)		14.6%	
Comparable sales growth[i]	n/a		5.1%		n/a		6.9%	
Free cash flow	$ 68,387		$ 80,810		$ 61,242		$ 96,590	
Capital cash expenditures (excluding proceeds from leasehold inducements)	12,434		13,486		39,480		35,623	
Number of boutiques, end of period	101		94		101		94	
New boutiques added	5		1		6		3	
Boutique closed due to mall redevelopment	(1)		-		(1)		-	
Boutiques expanded or repositioned	2		2		3		3	

Note:
i) Please see the “Comparable Sales Growth” section above for more details.

RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME:

(Unaudited, in thousands of Canadian dollars, unless otherwise noted)	**Q3 2021 13 weeks**	**Q3 2020 13 weeks**	**YTD 2021 39 weeks**	**YTD 2020 39 weeks**
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 30,502	$ 34,803	$ 3,157	$ 68,879
Depreciation and amortization	26,167	23,504	78,016	69,368
Finance expense	7,211	7,021	21,956	21,405
Income tax expense	11,823	12,889	1,005	26,720
EBITDA	75,703	78,217	104,134	186,372
Adjustments to EBITDA:				
Stock-based compensation expense	3,372	1,063	6,498	5,379
Rent impact from IFRS 16, Leases(i)	(22,734)	(20,834)	(67,964)	(61,554)
Unrealized foreign exchange (gain) on forward contracts	(1,776)	-	(1,061)	-
Adjusted EBITDA	$ 54,565	$ 58,446	$ 41,607	$ 130,197
Adjusted EBITDA as a Percentage of Net Revenue	19.6%	21.9%	7.1%	18.5%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 30,502	$ 34,803	$ 3,157	$ 68,879
Adjustments to net income:				
Stock-based compensation expense	3,372	1,063	6,498	5,379
Unrealized foreign exchange (gain) on forward contracts	(1,776)	-	(1,061)	-
Related tax effects	90	(147)	(244)	(298)
Adjusted Net Income	$ 32,188	$ 35,719	$ 8,350	$ 73,960
Adjusted Net Income as a Percentage of Net Revenue	11.6%	13.4%	1.4%	10.5%
Weighted Average Number of Diluted Shares Outstanding (thousands)	112,903	111,898	112,386	111,742
Adjusted Net Income per Diluted Share	$ 0.29	$ 0.32	$ 0.07	$ 0.66

Note:
i) Rent Impact from IFRS 16, Leases

	Q3 2021 13 weeks	**Q3 2020 13 weeks**	**YTD 2021 39 weeks**	**YTD 2020 39 weeks**
Depreciation and amortization of right-of-use assets	$ (16,834)	$ (14,932)	$ (49,868)	$ (43,963)
Finance expense, related to leases	(5,900)	(5,902)	(18,096)	(17,591)
Rent impact from IFRS 16, Leases	$ (22,734)	$ (20,834)	$ (67,964)	$ (61,554)

RECONCILIATION OF COMPARABLE SALES TO NET REVENUE:

(Unaudited, in thousands of Canadian dollars)	**Q3 2021 13 weeks**	**Q3 2020 13 weeks**	**YTD 2021 39 weeks**	**YTD 2020 39 weeks**
	(not applicable) [(ii)]		*(not applicable)* [(ii)]	
Comparable sales[(i)]		$ 236,679		$ 604,473
Non-comparable sales		30,603		100,686
Net revenue		$ 267,282		$ 705,159

Note:

i) The comparable sales for a given period represents revenue (net of sales tax, returns and discounts) from boutiques that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts) within that given period. This information is provided to give context for comparable sales in such given period as compared to net revenue reported in our financial statements. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. For more details, please see the “Comparable Sales Growth” subsection of the “How We Assess the Performance of Our Business” section of the Management’s Discussion and Analysis.

ii) Please see the “Comparable Sales Growth” section of the Management’s Discussion and Analysis .

CONDENSED INTERIM CONSOLIDATED CASH FLOWS:

(Unaudited, in thousands of Canadian dollars)	**Q3 2021 13 weeks**	**Q3 2020 13 weeks**	**YTD 2021 39 weeks**	**YTD 2020 39 weeks**
Cash Flows:				
Net cash generated from operating activities	$ 96,301	$ 108,921	$ 126,556	$ 174,178
Net cash (used in) generated from financing activities	(116,389)	(29,846)	(28,983)	(143,788)
Net cash used in investing activities	(12,434)	(13,486)	(39,480)	(35,623)
Effect of exchange rate changes on cash and cash equivalents	(696)	91	(1,807)	2
(Decrease) increase in cash and cash equivalents	$ (33,218)	$ 65,680	$ 56,286	$ (5,231)

FREE CASH FLOW:

(Unaudited, in thousands of Canadian dollars)	**Q3 2021 13 weeks**	**Q3 2020 13 weeks**	**YTD 2021 39 weeks**	**YTD 2020 39 weeks**
Net cash generated from operating activities	$ 96,301	$ 108,921	$ 126,556	$ 174,178
Interest paid	1,365	1,086	3,761	3,458
Net cash used in investing activities	(12,434)	(13,486)	(39,480)	(35,623)
Repayments of principal on lease liabilities	(16,845)	(15,711)	(29,595)	(45,423)
Free cash flow	$ 68,387	$ 80,810	$ 61,242	$ 96,590

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:

(Unaudited, in thousands of Canadian dollars)

	As at November 29, 2020	**As at March 1, 2020**
Assets		
Current assets		
Cash and cash equivalents	$ 174,036	$ 117,750
Accounts receivable	5,513	6,555
Income taxes recoverable	7,139	2,157
Inventory	138,078	94,034
Prepaid expenses and other current assets	23,080	10,880
Total current assets	347,846	231,376
Property and equipment	194,676	184,637
Intangible assets	61,775	63,867
Goodwill	151,682	151,682
Right-of-use assets	378,578	380,360
Other assets	3,549	4,315
Deferred tax assets	16,214	20,478
Total assets	$ 1,154,320	$ 1,036,715
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 134,385	$ 57,715
Income taxes payable	2,050	3,198
Current portion of lease liabilities	77,423	63,440
Deferred revenue	51,244	29,490
Total current liabilities	265,102	153,843
Lease liabilities	441,368	447,087
Other non-current liabilities	14,350	9,451
Deferred tax liabilities	18,299	19,529
Long-term debt	74,826	74,740
Total liabilities	813,945	704,650
Shareholders' equity		
Share capital	222,710	219,050
Contributed surplus	58,917	57,221
Retained earnings	59,147	56,476
Accumulated other comprehensive loss	(399)	(682)
Total shareholders' equity	340,375	332,065
Total liabilities and shareholders' equity	$ 1,154,320	$ 1,036,715